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Ms Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20219

Re: Docket No. R-1186

Dear Ms. Johnson:

Citigroup is a financial services holding company with a variety of depository institution subsidiaries that are subject to the Home Mortgage Disclosure Act (HMDA). This letter is written in response to the request for comment on revised formats for public disclosure of lending data. 69 Fed. Reg. 5469 (2004). We appreciate being given the opportunity to provide our input on the proposed contents of the tables along with suggestions for additional data to disclose.

The manner in which the data are reported by the Federal Reserve Board (FRB) will have a significant impact on the public debate concerning the lending practices of HMDA reporters. From a public policy perspective, the single biggest change in the 2004 data is the disclosure of rate spreads for first liens with a spread greater than 3.00% and second liens with a spread greater than 5.00%. Our comments focus on two main themes:

- **Clarity** – We believe that the release of the enhanced HMDA data will heighten interest in real estate lending patterns. We urge the FRB to provide the public, the media and the industry with as much analysis and information as possible in order to better understand the results and the limitations of the data.
- **Transparency** – Although HMDA has historically focused on originators of mortgage loans, we believe that the mortgage market has changed dramatically in the nearly 30 years since the passage of HMDA. We urge the FRB to begin using HMDA data to understand the important impacts of secondary market participants in the mortgage industry.

Citigroup urges the FRB to provide sufficient context for the data. In particular, the FRB should emphasize: (a) that risk based priced lending plays a valuable role in providing credit in the United States; and (b) that the data in the tables would not alone be sufficient to be the basis for any determination of lending or pricing discrimination. With respect to particular proposals on

the HMDA tables, we are providing our comments in the order that the issues appear within the request for comment.

Table 1 and Supplemental Table 1 – Disposition of Loan Applications, by Location of Property and Type of Loan

We recommend that the tables include identification of refinancings by loan type (FHA, FSA/RHS & VA versus conventional), as is done for home purchase loans in Columns A and B. Although the combined effect of both the redefinition of refinance loans and increases in mortgage interest rates could well result in the 2004 HMDA data revealing a drop in aggregate refinance loans, it is still important from an analytical perspective to be able to identify, in the aggregate, the share of refinance loans that is made up of government loans.

Because of high public interest in the pricing of government loans, we also recommend, as discussed below, that rate spreads be disclosed for government loans. There is a substantial risk that disclosing rate spreads only on conventional mortgages could stigmatize that segment of the market, while appearing to show that the FRB is immunizing government loans from scrutiny.

We also recommend like changes to Table 2, Aggregate Table 9, Aggregate Table 10, Supplemental Table 1, and Supplemental Table 2.

Table 3 – Loans Sold, by Characteristics of Borrower and of Census Tract in Which Property Is Located and by Type of Purchaser

We recommend that the FRB add pricing data and HOEPA loan status to Table 3. A significant amount of detail regarding loan pricing is offered in the proposed Table 11. It is important that public users of HMDA data are also given a tool for determining the similarities among and differences between the prices on the loans that lenders are extending and the loans that purchasers, in particular government-sponsored enterprises (GSEs), are purchasing. **An** analysis of loan pricing by: (a) race, ethnicity, and income of borrower; and (b) the income and population composition of the census tract in which the property is located, is not complete without data on the subsequent purchasers of these loans. In recent years, GSEs have instituted risk-based pricing in order to meet their affordable housing goals. Enhancing Table 3 to show the rate spreads by loan purchaser would help to provide transparency regarding loan pricing on mortgages purchased by the GSEs.

A relatively simple way to show pricing spreads in Table 3 by purchaser would be to add rows to the bottom of the table that correspond with the pricing spread columns found in Table 11. In addition to a Table 3 for each lending institution, an aggregate version of Table 3 should also continue to be provided supplemented with rate-spread information. Another method for disclosing pricing spreads by purchaser would be to replicate the Table 11 Series format and produce one such table, consisting of all loans, for each purchaser.

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Table 11 Series –Pricing Information for Conventional Loans on 1- to 4-Family Owner-Occupied Dwellings

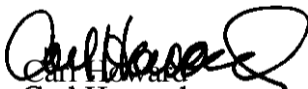
The Table 11 Series provides loan pricing data in a format that may confuse some users, and may lead some others to draw incorrect conclusions regarding the pricing of some institutions' loans. The first column of data, "No Reported Pricing Data," suggests that data was not available, rather than that the loans were priced below the threshold for reporting. We recommend that this column be renamed "Loans Less Than 3 Percentage Points Above Treasury." Similarly, changing the next column to "Loans 3 or More Percentage Points Above Treasury," will inform the user that the two columns together sum to the total number of loans for that category, and that a range of pricing is indeed known for each loan. These suggestions hold for the similarly-named columns in Table 12.

We suggest doing away altogether with the mean and median data disclosed in the next-to-last and last columns, respectively. Presenting mean and median pricing data invites comparisons between lenders that, due to differing product sets, average loan sizes and customer bases, may serve little useful purpose. In addition, the mean and median data may serve to confuse users if disclosed as currently proposed. Although they are each included under the broader heading of "Percentage Points Above Treasury," implying that **they** are calculated using only the pricing data for loans priced three or more percentage points above Treasury, users may incorrectly assume that the data represent the mean and median pricing for all of an institution's loans included in the table, leading to an impression that the loans in question are more costly than they in fact are. Barring the elimination of the columns entirely, we recommend that the FRB rename the mean and median columns to clarify that they represent calculations only for the loans above the reporting threshold.

Finally, we also suggest creating a series of tables, following the guidelines described above, that display pricing of government loans. Because mortgage insurance premiums (MIPs) and yield spread premiums (YSPs) are common in the origination of government loans, and because both are included in APR calculations, it would aid transparency to report the percentage of government loans with rate spreads exceeding the thresholds.

Thank you for this opportunity to comment. Please direct any questions regarding our letter either to me at 212-559-2938, to Jeff Watiker at 212-559-1864, or to Jeff Jaffee at 718-248-4146.

Sincerely yours,



Carl Howard

cc: Jeff Watiker
Jeff Jaffee
Viola Spain